



Republican Policy Committee

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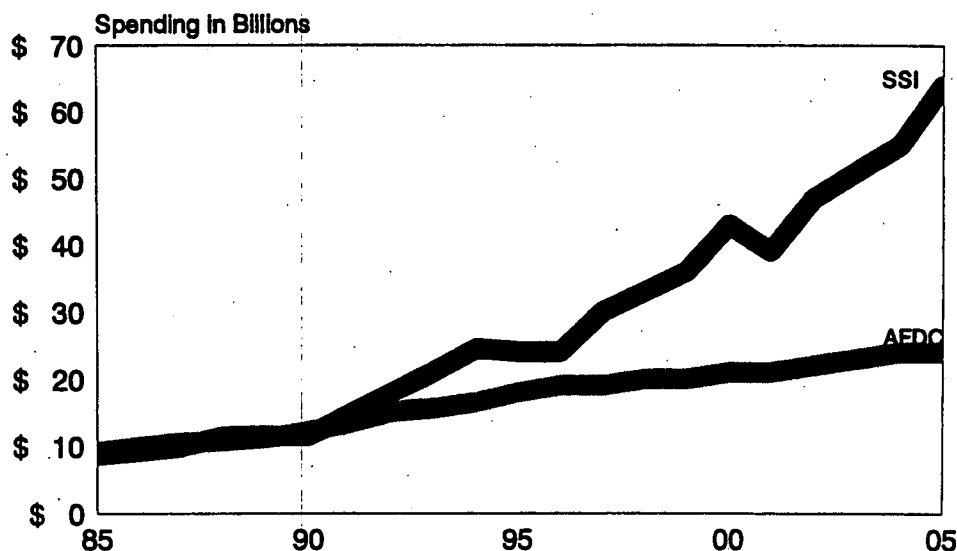
S. 1120 Reforms Largest Cash Welfare Program

The Supplemental Security Income program (SSI), the largest federal cash welfare program, is in dire need of reform. This cash-assistance entitlement for aged, blind and disabled persons is one of the fastest growing programs in the federal budget. Federal expenditures on SSI have more than doubled during the past six years, and are expected to double again over the next eight years. In 1994, federal outlays for SSI surpassed federal spending for Aid to Families with Dependent Children (AFDC). In the year 2000, SSI will be the second largest federal means-tested program, exceeded only by Medicaid.

Numerous reports by the General Accounting Office (GAO) and the Inspector General (IG) of the Department of Health and Human Services (HHS) have documented that a good deal of this growth comes from loose eligibility standards and from rampant fraud and abuse. The Work Opportunity Act of 1995 is a major step in fixing this program, moderating SSI's dramatic growth rate and assuring that those entitled to receive benefits continue to be protected.

SSI Spending Eclipses Spending on AFDC

[Fiscal Years 1985 - 2005]



Sources: OMB, CBO

Background

SSI was enacted in 1972 as Title XVI of the Social Security Act. In contrast to Social Security Disability Insurance (SSDI) and other social insurance programs, SSI is funded from general revenues, not payroll taxes.

Purpose: SSI was established principally to serve as an incremental extension of the Social Security retirement system as a supplement for the poor elderly who had not earned a minimal Social Security benefit. However, over the past two decades, SSI has metastasized into a sprawling program with open-ended disability criteria for claiming eligibility.

Disabled recipients of SSI currently outnumber the elderly. Disabled adults are given cash assistance as "replacement income." However, the inclusion of children in the SSI program cannot be explained by this rationale. As the Inspector General of The Department of Health and Human Services noted, SSI "is not specifically geared toward helping children achieve independence [or] engage in substantial gainful activity as an adult."¹

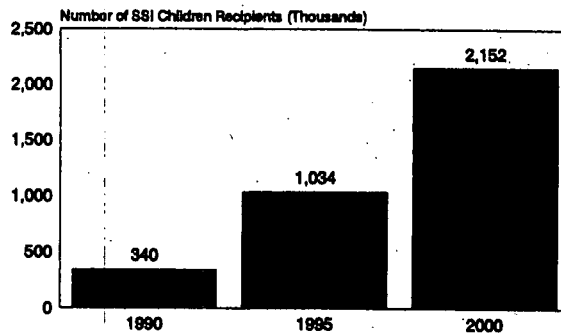
Eligibility Criteria: In order to qualify for SSI, individuals must, in addition to the minimal income requirements, be 65 years old, blind, or disabled. To be considered disabled, an individual must be unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. For children, the impairment must be of "comparable severity." SSI is means-tested: recipients cannot have income greater than the maximum monthly benefit level of \$446 for an individual or \$669 for a couple (subject to alteration for certain categories of persons) in 1994, or have countable resources of over \$2,000 (\$3,000 for a couple); certain assets, such as a home, are excluded from this calculation. Only U.S. citizens and legal immigrants are entitled to receive SSI benefit payments.

Trends in the Growth of SSI

The number of SSI beneficiaries has grown from nearly 4 million in 1974 to almost 6 million in 1993, a 50-percent increase. The rapid growth began in the mid-1980s, largely due to an increase in disabled recipients. From 1984 through 1993, the disabled population on SSI increased at an average annual rate of over 9 percent. The trend has been toward younger beneficiaries coupled with low exit rates, indicating that costs will continue to spiral upwards. Children, immigrants, drug addicts and alcoholics are among the fastest growing groups.

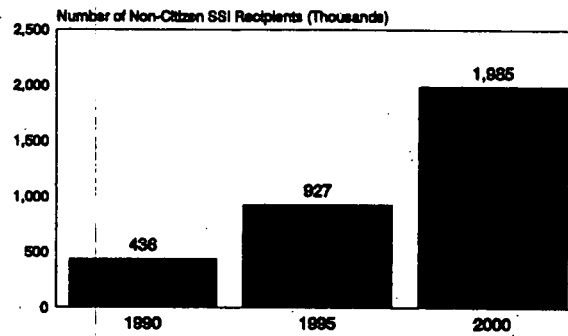
- **Children:** In 1989 there were almost 300,000 disabled children receiving SSI, at a cost of \$1.2 billion; by 1994 the number of children had increased more than three-fold to almost 900,000 at an estimated cost of nearly \$5 billion. Children now constitute 14 percent of the SSI rolls. Between 1986 and 1994, the caseload of SSI children grew at an average annual rate of 16 percent. SSI rolls are expected to include 2.15 million children by the year 2000. [see chart page 3.]

Children on SSI



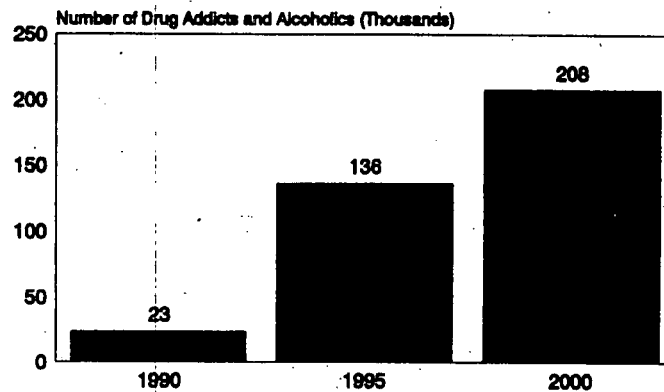
Source: GAO

Immigrants on SSI



Source: GAO

Drug Addicts and Alcoholics on SSI



Source: GAO

- **Noncitizens:** In 1982, there were nearly 128,000 noncitizens on SSI just over 3 percent of all recipients. By 1993 there were an estimated 683,000 at a cost of \$3.3 billion, constituting over 11 percent of all recipients. Between 1982 and 1993, the number of immigrants collecting SSI increased an average of over 16 percent a year. If this growth rate continues, the number of immigrants could reach 2 million by the year 2000. [see chart page 3.]
- **Drug Addicts and Alcoholics (DA&A):** In 1983 there were 3,000 beneficiaries on the SSI rolls who were officially registered as DA&A; in 1994 there were over 101,000 receiving \$382 million in annual cash benefits.² The number of eligible people in this category is expected to grow to about 200,000 cases in the year 2000. [see chart page 3.]

Factors Contributing to the Growth of SSI

Eligibility Expansion: According to numerous reports by the GAO and the HHS Inspector General, the liberalization of eligibility requirements has contributed to the explosive growth of SSI.

- The 1984 Disability Benefits Reform Act broadened the definition of disability in the areas of multiple impairments, subjective complaints of pain, and mental impairments. Mental impairment now accounts for over half of all new disability awards.
- The 1990 U.S. Supreme Court decision *Sullivan v. Zebley* required the Social Security Administration to conduct individualized functional assessments (IFA) of children whose impairments do not meet or equal an impairment on the Social Security Administrations's medical listing in order to determine whether their overall level of functioning rendered them eligible for SSI.³ Many low-income children who are not functioning at an "age-appropriate" level have become eligible for SSI. The IFA process has added about 219,000 children to the rolls through September 1994, accounting for one-third of all awards since it went into effect in 1991.⁴
- In 1990, the Social Security Administration revised its medical standards for assessing mental impairments in children, adding separate listings for attention deficit hyperactivity disorder and oppositional behavioral disorder, mood disorders and personality disorders. The number of children qualifying on the basis of the revised medical standards for mental impairments tripled, from 1,900 a month before the change to 6,000 a month in 1994.⁵

Growth in the Number of Noncitizens: The GAO attributes the growth in the number of noncitizens receiving SSI to three factors:⁶

- limited work histories which only entitle many immigrants to a minimal Social Security payment;

- an increase in the number of annual immigrants during the last decade (570,000 in 1985 vs. 880,000 in 1993) and the legalization of 2.5 million former illegal aliens in 1986; and
- the admission of aliens who have family residing in the United States. Approximately 25 percent of immigrants collecting SSI applied for benefits within a year of the expiration of their three-year sponsorship period (the deeming period was temporarily extended to five years beginning in January 1994 through September 1996).

Oversight Failures: GAO and IG reports note that structural flaws in the program and a failure to conduct oversight reviews have engendered widespread fraud and abuse in inappropriate admissions to the roles among the three fast growing groups.

- **Children:** The 1990 changes in eligibility criteria, coupled with the fact that cash payments are awarded without any obligation to target the benefit toward child care or therapy, have made this program extremely vulnerable to fraud and abuse.⁷ There are strong economic incentives for unscrupulous parents to coach their children to fake mental impairments. Parents receive approximately three times more money from SSI than from AFDC and mothers with disabled children are exempt from welfare work requirements, and the average child SSI payment alone is greater than the AFDC payment for a family of four in 27 states.
- **Immigrants:** There has been systematic fraud by interpreters who serve as middlemen to generate bogus claims for non-English speaking claimants.⁸
- **Drug Addicts and Alcoholics:** According to the SSI statute, DA&As must undergo and comply with treatment and have a third party or representative payee manage their monthly benefits. However, the HHS Office of Inspector General in 1994 found that the Social Security Administration did not know the treatment status of 84 percent of DA&As; fewer than half of the remaining 16 percent were getting treatment.⁹ The representative payee program has been plagued by problems, including representative payees who are liquor store operators, bartenders and even addicts themselves.¹⁰

Outreach Programs: In response to congressional mandates, the Social Security Agency is spending \$6 million a year to find new beneficiaries. The 1989 Budget Reconciliation Act established a permanent outreach program for blind and disabled children. In 1994, the agency funded approximately 80 demonstration projects targeted to specific groups, such as HIV-positive persons, African Americans, the homeless and the mentally ill.

Indexed Benefits: SSI benefits have been indexed to the consumer price index since the program's implementation in 1974.

Lump-Sum Payments: Retroactive lump-sum payments are generated for the period between the initial application and the approval of a claim. Given that it frequently takes a year or longer to be awarded benefits, there have been numerous cases of lump-sum payments to drug addicts and alcoholics in amounts as high as \$15,000 to \$20,000.¹¹

Cost-Shifting by States: States have taken steps to transfer disabled residents from the AFDC program to SSI since states must bear about 45 percent of the cost of AFDC but none of the cost of SSI (state supplementation of SSI is optional).

SSI Compared to AFDC

SSI is the largest cash-assistance entitlement in the federal budget. Although the AFDC program generates the greatest public outcry of any cash-assistance program, SSI is actually more generous per recipient and more costly to the taxpayer.

- The typical monthly federal SSI payment in 1994 was \$446 for singles and \$669 for couples, whereas the average monthly benefit for an AFDC family was \$366.
- Federal outlays in 1994 for AFDC were \$17 billion versus \$24 billion for SSI; projected federal outlays in 2000 for AFDC are \$20 billion, compared to \$43 billion for SSI.

While an **individual** cannot receive AFDC and SSI benefits simultaneously, **members of an AFDC family** may receive SSI benefits. For example, in the case of an AFDC family unit with a mother and two children, should one child qualify for SSI, the mother would forgo \$72 a month in AFDC in exchange for \$446 a month in SSI. This would double the family's monthly income from \$366 to \$740. If the other child were to qualify for SSI as well, the family's monthly income would increase to \$1,104, triple that of a family receiving AFDC alone. In contrast to AFDC, each SSI child receives the full benefit with no reduction in marginal benefits. Furthermore, SSI family benefits have no time limit.

SSI indirectly increases the rolls and inflates the budgets of other public assistance programs because SSI law requires that an applicant or recipient apply for all other benefits for which they are eligible. An SSI award makes program recipients eligible for Food Stamps and Medicaid in most states.

Recent SSI Reforms

The Social Security Independence and Program Improvements Act of 1994 [P.L. 103-296] included a number of SSI reforms which attempted to address the problems of fraud and abuse and the failure to conduct adequate oversight.

- **Disability Reviews:** The Social Security Administration is required to review the disability status of at least 100,000 persons per annum during the next three years.
- **Interpreter Fraud and SSI Abuse:** Stricter controls are placed on interpreters; criminal and civil penalties for SSI fraud are increased; and SSA is required to redetermine the eligibility status of beneficiaries in cases of suspected fraud.

- **DA&A:** A life-time cap of 36 months on the SSI rolls is imposed; however beneficiaries may return to the rolls as physically or "mentally impaired" after the cap goes into effect. CBO estimates that 75 percent of current DA&As could qualify as disabled after the 36-month cut-off.

SSI Reforms Included in The Senate's Welfare Reform Bill

The Work Opportunity Act of 1995 contains a number of provisions concerning both eligibility and benefits for children, drug addicts and alcoholics, and immigrants in an effort to curb the explosive growth in SSI enrollment while protecting those for whom the program was designed.

Benefits to Children

- A statutory definition of childhood disability is provided for the first time: children under 18 are considered disabled if they have a medically determinable physical or mental impairment which results in marked and severe functional limitations, and is expected to last for a continuous period of 12 months or result in death.
- References to "maladaptive behavior" are eliminated from the federal "Listing of Impairments" of mental disorders in the domain of personal/behavioral functioning.
- Individualized Functional Assessment, which allows children with minor impairment on the SSI rolls, is eliminated as a secondary evaluation process for children who do not meet the disability criteria in Social Security Administration's 1990 "Listing of Impairments."
- The Commissioner of Social Security is directed to conduct Continuing Disability Reviews of particular groups: children whose condition is not expected to change (once every three years); all persons when they turn 18 years old; and low birth-weight babies (after one year of benefit receipt).

Benefits to Noncitizens

- Noncitizens (except veterans) must work and pay taxes for five years to receive SSI disability benefits or ten years for SSI old age benefits.

Benefits to Drug Addicts and Alcoholics

- Individuals no longer will be considered eligible for SSI if drug addiction or alcoholism is a contributing factor to their disability.

Studies

- The Commissioner of Social Security is directed to contract with an independent entity to conduct a study of the disability determination process under SSI and SSDI.
- A National Commission on the Future of Disability Programs is established to examine and make recommendations for improving federal disability programs.

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Endnotes

1. HHS/OIG, "Concerns about the Participation of Children with Disabilities in the Supplemental Security Income Program," A-03-94-02602, October 1994, p.26.
2. In addition to these persons, an estimated 150,000 drug addicts and alcoholics are not coded DA&A and therefore are not required to seek treatment. See Investigative Staff Report of the Ranking Minority Member, Senator William S. Cohen, "Tax Dollars Aiding and Abetting Addiction: Social Security Disability and SSI Cash Benefits to Drug Addicts and Alcoholics," Senate Special Committee on Aging, February 7, 1994, p. 10.
3. Prior to *Sullivan v. Zebley*, 493 U.S. 521 (1990), adult eligibility was determined on the basis of a medical listing of impairments, and, if necessary, a functional assessment of an adult's capacity to compete in the job market. Given that children could not be expected to have a capacity to work, eligibility was determined solely on the basis of a medical listing of impairments. The Court held that this differentiation was "manifestly contrary to the statute."
4. Jane Ross, Director, Income Security Issues, GAO, "SSI: Recent Growth in the Rolls Raises Fundamental Program Concerns," statement before the House of Representatives Committee on Ways and Means, Subcommittee on Human Resources, January 27, 1995, p. 5.
5. Ibid.
6. Jane Ross, Director, Income Security Issues, GAO, "SSI: Recipient Population Has Changed As Caseloads Have Burgeoned", statement before the Senate Finance Committee, March 27, 1995, pp. 8-9.
7. HHS/OIG, "Concerns About the Participation of Children With Disabilities In The Supplemental Security Income Program," A-03-94-02602, October 1994, p. 23, 24; see Rep. Gerald Kleczka (D-Wis), statement before the House of Representatives Committee on Ways and Means, Subcommittee on Human Resources, Oversight Hearing on SSI, October 14, 1993, p.1.
8. see June Gibbs Brown, Inspector General, HHS, "SSI Drug Addicts and Alcoholics, Disabled Children and Interpreter Fraud," statement before the Senate Committee on Appropriations, Subcommittee on Labor, HHS and Education," May 13, 1994; Jane Ross, statement before the Senate Finance Committee, March 27, 1995, p.10.
9. HHS/OIG, "SSI Payments to Drug Addicts and Alcoholics: Continued Dependence," OEI-09-94-00071, November 1994, p. 10.
10. HSS/ OIG, "Social Security Policies Concerning Drug Addicts and Alcoholics," OEI-02-90-0095, July 1991; GAO, "Social Security: Major Changes Needed for Disability Benefits for Addicts," GAO/HEHS-94-128, May 1994, p. 6.; Minority Staff Report, Senate Special Committee on Aging, February 7, 1994, p. 11.
11. Minority Staff Report, Senate Special Committee on Aging, p. 5; Christopher Wright, CATO Institute, "SSI: The Black Hole of the Welfare State," Policy Analysis, No. 224, April 27, 1995, p.11.